FIRST SET OF DOCUMENT AND INFORMATION REQUESTS OF
THE DEPARTMENT OF COMMUNICATIONS AND ENERGY TO
BOSTON GAS COMPANY, COLONIAL GAS COMPANY AND ESSEX GAS COMPANY
D/B/A KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 04-62

Respondent: Ann Leary

Information Request DTE 1-40

Q. Refer to Exhibit KED/AEL-3(b).

(a) Discuss how KeySpan will implement the proposed increase in CGA tariffs for Essex customers so as to minimize their impact on ratepayers.

(b) Using historical data, present a class-specific analysis of Essex customers' ability to pay their gas bills. Based on the results of your analysis, discuss how the proposed increase in CGA tariffs for Essex customers will affect their ability to pay their bills.

(c) Quantify the total bad debt expense (uncollectible account) that KeySpan has projected to result from the proposed increase in gas bills for Essex customers. Discuss how KeySpan will recover any bad debt expense (uncollectible account) that might result from the proposed increase in the CGA tariffs for Essex customers.

A. (a & b) In analyzing the bill impacts that would be experienced by Essex customers, it is important to note that the CGA for Essex customers has been relatively low (i.e., low in comparison to the CGAs paid by other customers in Massachusetts) because of the significant amount of demand cost reductions passed through to them since the mergers. Therefore, although the change in the amount charged to Essex customers through the CGA may appear to be significant, the overall price level will be no more than what is currently being paid by the majority of customers in Massachusetts. As a result, the Company does not necessarily consider the proposed bill increases to Essex's customers to be overly burdensome.

Moreover, in the past, Essex's customers have experienced rate increases much greater than those proposed by the combining of the CGA factor. For example, in 2002-2003, a typical residential heating customer in Essex's service territory experienced a 26 percent or $338 increase over their prior year's bill. The attached schedule compares the bill increases experienced in the 2002-2003 period for each customer class over the prior year. The rate increases experience in the 2002-2003 versus the 2001-2002 period greatly exceeded any rate increase that would result from the proposed consolidation of the CGA factor. In fact, the rate increases resulting from the consolidation of the CGA are up to 43 percent less than the rate increase experienced in the 2002-03 peak period depending on the rate class, and up to 35 percent less than the rate increase experienced in the off-peak 2003 period. It should also be added that the customers that will experience the largest rate increases have the greatest opportunity to participate in the competitive market. Accordingly, those customers have the ability to mitigate their increases through the marketplace.

(c) The Company does not anticipate any material increase in the bad debt expense as a result of the implementation of the combined CGA factor. Moreover, since Essex recovers all of its bad-debt expense through base rates, any increases in bad-debt expense will impact shareholders and not ratepayers.